

SAC COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-6
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 7
Statement of Activities	B 8
Governmental Fund Financial Statements:	
Balance Sheet	C 9
Reconciliation of the Balance Sheet - Governmental Funds to the	
Statement of Net Position	D 10
Statement of Revenues, Expenditures, and Changes in Fund Balances	E 11
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Governmental Funds to the Statement of Activities	F 12
Proprietary Fund Financial Statements:	
Statement of Net Position	G 13
Statement of Revenues, Expenses, and Changes	
in Fund Net Position	H 14
Statement of Cash Flows	I 15
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities - Agency Funds	J 16
Notes to Financial Statements	17-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes	
in Balances - Budget and Actual (Cash Basis) - All Governmental Funds	33
Budget to GAAP Reconciliation	34
Notes to Required Supplementary Information - Budgetary Reporting	35
Schedule of Funding Progress for the Retiree Health Plan	36
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 38
Combining Schedule of Revenues, Expenditures, and Changes	
in Fund Balances	2 39
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	3 40
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4 41
Schedule of Revenues by Source and Expenditures by Function -	
All Governmental Funds	5 42
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Schedule of Findings	45-48

SAC COUNTY

OFFICIALS

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Hecht	Board of Supervisors	Jan. 2015
Dean Stock	Board of Supervisors	Jan. 2015
Ranell Drake	Board of Supervisors	Jan. 2017
James W. Dowling	County Auditor	Jan. 2017
Vicki Peyton	County Treasurer	Jan. 2015
Nancy Auen	County Recorder	Jan. 2015
Ken McClure	County Sheriff	Jan. 2017
Ben Smith	County Attorney	Jan. 2015
Robert Hawks	County Assessor	Jan. 2016

(After January 2015)

Ranell Drake	Board of Supervisors	Jan. 2017
Rick Hecht	Board of Supervisors	Jan. 2019
Dean Stock	Board of Supervisors	Jan. 2019
James W. Dowling	County Auditor	Jan. 2017
Vicki Peyton	County Treasurer	Jan. 2019
Nancy Auen	County Recorder	Jan. 2019
Ken McClure	County Sheriff	Jan. 2017
Ben Smith	County Attorney	Jan. 2019
Robert Hawks	County Assessor	Jan. 2016

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.Com

INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 14 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be recorded and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

Also, as discussed in Note 6 to the financial statements, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in governmental activities and, accordingly, has not recorded pension expense for the current period change in that liability, deferred outflows of resources or deferred inflows of resources. Accounting principles generally accepted in the United States of America require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sac County at June 30, 2015, or the changes in its financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sac County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for each of the years in the nine year period ending June 30, 2014 (which are not presented herein), and expressed adverse opinions on those financial statements because capital assets and depreciation expense on those assets was omitted. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matters described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016 on our consideration of Sac County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sac County's internal control over financial reporting and compliance.

Hunszleman, Putzier & Co., PLLC

March 22, 2016

SAC COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

	Primary <u>Government</u> Governmental <u>Activities</u>	Component <u>Unit</u> Conservation <u>Foundation</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments	\$ 7,079,584	\$ 64,774
Receivables:		
Property tax:		
Delinquent	9,590	-
Succeeding year	5,382,429	-
Interest and penalty on property tax	43,940	-
Accounts	95,209	-
Accrued interest	12,789	-
Drainage assessments	169,597	-
Due from other governments	172,158	-
Inventories	1,075,195	-
Prepaid expenses	102,222	-
Total assets	<u>14,142,713</u>	<u>64,774</u>
<u>LIABILITIES</u>		
Accounts payable	459,617	-
Due to other governments	13,982	-
Accrued interest payable	60,398	-
Salaries and benefits payable	207,175	-
Long-term liabilities:		
Portion due or payable within one year:		
Note payable	44,000	-
Compensated absences	177,992	-
Portion due or payable after one year:		
Drainage warrants	257,936	-
Net OPEB liability	284,598	-
Total liabilities	<u>1,505,698</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenues:		
Succeeding year property tax	5,382,429	-
Other	170,232	-
Total deferred inflows of resources	<u>5,552,661</u>	<u>-</u>
<u>NET POSITION</u>		
Restricted for:		
Supplemental levy purposes	338,302	-
Mental health purposes	323,091	-
Secondary roads purposes	4,665,682	-
Rural services purposes	100,701	-
Debt service	59,822	-
Other purposes	200,037	-
Unrestricted	<u>1,396,719</u>	<u>64,774</u>
Total net position	<u>\$ 7,084,354</u>	<u>\$ 64,774</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Exhibit B

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Primary Government Total</u>	<u>Component Unit Conservation Foundation</u>
Functions/Programs						
Primary Government:						
Governmental activities:						
Public safety and legal services	\$ 2,319,195	\$ 502,555	\$ 75,159	\$ -	\$ (1,741,481)	\$ -
Physical health and social services	774,639	379,027	209,448	-	(186,164)	-
Mental health	609,788	511	217,970	-	(391,307)	-
County environment and education	813,937	43,672	62,378	-	(707,887)	-
Roads and transportation	4,913,736	118,634	3,120,725	11,051	(1,663,326)	-
Governmental services to residents	407,320	201,654	-	-	(205,666)	-
Administration	1,329,828	33,329	24,955	-	(1,271,544)	-
Non-program	166,536	-	-	559,435	392,899	-
Interest on long-term debt	3,407	-	-	-	(3,407)	-
Total primary government	<u>\$ 11,338,386</u>	<u>\$ 1,279,382</u>	<u>\$ 3,710,635</u>	<u>\$ 570,486</u>	<u>(5,777,883)</u>	<u>-</u>
Component Unit:						
Conservation Foundation	<u>\$ 8,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,313</u>	<u>-</u>	<u>(2,460)</u>
General Revenues:						
Property and other county tax levied for:						
General purposes					5,428,947	-
Debt service					24,372	-
Penalty and interest on property tax					44,078	-
State tax credits					368,510	-
Local option sales tax					389,457	-
Unrestricted investment earnings					52,764	163
Miscellaneous					132,139	-
Total general revenues					<u>6,440,267</u>	<u>163</u>
Change in net position					662,384	(2,297)
Net position beginning of year					<u>6,421,970</u>	<u>67,071</u>
Net position end of year					<u>\$ 7,084,354</u>	<u>\$ 64,774</u>

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Exhibit C

	<u>General</u>	<u>Special Revenue</u>			<u>Nonmajor</u>	<u>Total</u>
		<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>		
<u>ASSETS</u>						
Cash, cash equivalents and pooled investments	\$ 2,234,557	\$ 330,769	\$ 73,105	\$ 4,005,010	\$ 272,427	\$ 6,915,868
Receivables:						
Property tax:						
Delinquent	8,265	1,148	116	-	61	9,590
Succeeding year	3,250,066	341,880	1,740,588	-	49,895	5,382,429
Interest and penalty on property tax	43,940	-	-	-	-	43,940
Accounts	92,886	-	-	-	638	93,524
Accrued interest	12,743	-	-	-	48	12,791
Drainage assessments	-	-	-	-	169,597	169,597
Due from other governments	166,700	-	-	5,458	-	172,158
Inventories	-	-	-	1,075,195	-	1,075,195
Prepaid expenses	58,711	1,621	38,094	19,478	-	117,904
Total assets	<u>\$ 5,867,868</u>	<u>\$ 675,418</u>	<u>\$ 1,851,903</u>	<u>\$ 5,105,141</u>	<u>\$ 492,666</u>	<u>\$ 13,992,996</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 131,486	\$ -	\$ 253	\$ 311,513	\$ 980	\$ 444,232
Due to other governments	13,606	-	343	34	-	13,983
Interest payable	-	-	-	-	60,256	60,256
Salaries and benefits payable	142,018	-	10,017	55,140	-	207,175
Total liabilities	<u>287,110</u>	<u>-</u>	<u>10,613</u>	<u>366,687</u>	<u>61,236</u>	<u>725,646</u>
Deferred inflows of resources:						
Succeeding year property tax	3,250,066	341,880	1,740,588	-	49,895	5,382,429
Other	52,205	1,148	116	-	169,658	223,127
Total deferred inflows of resources	<u>3,302,271</u>	<u>343,028</u>	<u>1,740,704</u>	<u>-</u>	<u>219,553</u>	<u>5,605,556</u>
Fund balances:						
Nonspendable						
Inventory	-	-	-	1,075,195	-	1,075,195
Prepaid expenses	58,711	1,621	38,094	19,478	-	117,904
Restricted for:						
Supplemental levy purposes	335,941	-	-	-	-	335,941
Mental health purposes	-	330,769	-	-	-	330,769
Rural services purposes	-	-	62,492	-	-	62,492
Secondary roads purposes	-	-	-	3,643,781	-	3,643,781
Debt service	-	-	-	-	16,903	16,903
Other purposes	-	-	-	-	200,039	200,039
Unassigned	1,883,835	-	-	-	(5,065)	1,878,770
Total fund balances	<u>2,278,487</u>	<u>332,390</u>	<u>100,586</u>	<u>4,738,454</u>	<u>211,877</u>	<u>7,661,794</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,867,868</u>	<u>\$ 675,418</u>	<u>\$ 1,851,903</u>	<u>\$ 5,105,141</u>	<u>\$ 492,666</u>	<u>\$ 13,992,996</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit D

Total governmental fund balances	\$ 7,661,794
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred inflows in the governmental funds.	53,530
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, other postemployment benefits payable, and drainage warrants payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(764,669)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	<u>133,699</u>
Net position of governmental activities	<u>\$ 7,084,354</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Exhibit E

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:						
Property and other County tax	\$ 3,646,880	\$ 452,392	\$ 1,722,350	\$ -	\$ 24,507	\$ 5,846,129
Interest and penalty on property tax	53,410	-	-	-	-	53,410
Intergovernmental	846,550	92,222	97,808	3,209,060	14,647	4,260,287
Licenses and permits	6,225	-	-	6,680	-	12,905
Charges for services	989,616	179	3,452	14,676	11,341	1,019,264
Use of money and property	57,733	-	-	-	248	57,981
Miscellaneous	138,753	-	364	17,366	566,605	723,088
Total revenues	<u>5,739,167</u>	<u>544,793</u>	<u>1,823,974</u>	<u>3,247,782</u>	<u>617,348</u>	<u>11,973,064</u>
Expenditures:						
Operating:						
Public safety and legal services	2,168,170	-	141,522	-	5,481	2,315,173
Physical health and social services	780,119	-	-	-	-	780,119
Mental health	126,435	484,429	-	-	-	610,864
County environment and education	520,476	-	281,083	-	14,834	816,393
Roads and transportation	-	-	-	4,591,826	-	4,591,826
Governmental services to residents	398,681	-	5,126	-	2,999	406,806
Administration	1,311,812	-	-	-	-	1,311,812
Non-program	-	-	-	-	166,536	166,536
Debt service	-	-	-	-	46,567	46,567
Capital projects	-	-	-	316,684	-	316,684
Total expenditures	<u>5,305,693</u>	<u>484,429</u>	<u>427,731</u>	<u>4,908,510</u>	<u>236,417</u>	<u>11,362,780</u>
Excess (deficiency) of revenues over expenditures	<u>433,474</u>	<u>60,364</u>	<u>1,396,243</u>	<u>(1,660,728)</u>	<u>380,931</u>	<u>610,284</u>
Other financing sources (uses):						
Operating transfers in (out)	(122,685)	-	(1,353,722)	1,476,407	-	-
Drainage district warrants	-	-	-	-	(370,278)	(370,278)
Sale of assets	-	-	-	19,014	-	19,014
Total other financing sources (uses)	<u>(122,685)</u>	<u>-</u>	<u>(1,353,722)</u>	<u>1,495,421</u>	<u>(370,278)</u>	<u>(351,264)</u>
Net change in fund balances	310,789	60,364	42,521	(165,307)	10,653	259,020
Fund balances, beginning of year	<u>1,967,698</u>	<u>272,026</u>	<u>58,065</u>	<u>4,903,761</u>	<u>201,224</u>	<u>7,402,774</u>
Fund balances, end of year	<u>\$ 2,278,487</u>	<u>\$ 332,390</u>	<u>\$ 100,586</u>	<u>\$ 4,738,454</u>	<u>\$ 211,877</u>	<u>\$ 7,661,794</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Exhibit F

Net change in fund balances - Total governmental funds \$ 259,020

Amounts reported for governmental activities in the Statement of
Activities are different because:

Some revenues will not be collected for several months after the
County's year end, therefore, they are not considered available revenues
and are recognized as deferred inflows in the governmental funds, as follows:

Property tax (12,684)

Proceeds from issuing long-term liabilities provide current financial
resources to governmental funds, but issuing debt increases long-term
liabilities in the Statement of Net Position. Repayment of long-term
liabilities is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the Statement of Net Position. Current year
issues exceeded repayments as follows:

Issued drainage district warrants	\$ (62,807)	
Redeemed drainage district warrants	433,085	
Payments on long-term debt	43,000	413,278

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Compensated absences	4,968	
Other post employment benefits	(53,574)	
Interest on long-term debt	158	(48,448)

The Internal Service Fund is used by management to charge the costs of
the partial self-funding of the County's health insurance benefit plan
to individual funds. The change in net position of the Internal Service Fund
is reported with governmental activities.

51,218

Change in net position of governmental activities \$ 662,384

SAC COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

Exhibit G

	Internal Service Employee <u>Group Health</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 163,717
Accounts receivable	<u>1,686</u>
Total assets	<u>165,403</u>
 <u>LIABILITIES</u>	
Accounts payable	<u>15,386</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues	<u>16,318</u>
 <u>NET POSITION</u>	
Unrestricted	<u>\$ 133,699</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Exhibit H

	Internal Service Employee <u>Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 195,246
Reimbursements from others	<u>13,831</u>
Total operating revenues	209,077
Operating expenses:	
Insurance premiums and administrative fees	<u>158,064</u>
Operating income	51,013
Non-operating revenues:	
Interest income	<u>205</u>
Net income	51,218
Net position beginning of year	<u>82,481</u>
Net position end of year	<u>\$ 133,699</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Exhibit I

	<u>Internal Service Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 207,669
Cash payments for medical claims and administrative fees	<u>(149,320)</u>
Net cash provided by operating activities	58,349
Cash flows from investing activities:	
Interest on investments	<u>205</u>
Net increase in cash and cash equivalents	58,554
Cash and cash equivalents, beginning of year	<u>105,163</u>
Cash and cash equivalents, end of year	<u>\$ 163,717</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 51,013
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	8,744
Increase in accounts receivable	(1,686)
Increase in unavailable revenues	<u>278</u>
Net cash provided by operating activities	<u>\$ 58,349</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015

Exhibit J

ASSETS

Cash and pooled investments:

County Treasurer	\$ 600,783
Other County officials	27,565

Receivables:

Property tax:

Delinquent	46,632
Succeeding year	11,415,675

Accounts	31,399
----------	--------

Special assessments	146,014
---------------------	---------

Total assets	<u>12,268,068</u>
--------------	-------------------

LIABILITIES

Accounts payable	2,908
------------------	-------

Salaries and benefits payable	12,013
-------------------------------	--------

Due to other governments	<u>12,253,147</u>
--------------------------	-------------------

Total liabilities	<u>12,268,068</u>
-------------------	-------------------

Net Position	<u>\$ -</u>
--------------	-------------

See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sac County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sac County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Sac County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two hundred thirty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Sac County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Sac County Auditor's office.

Discretely Presented Component Unit – The Sac County Conservation Foundation is a legally separate, tax-exempt, component unit of Sac County. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the County in support of conservation purposes. Although the County does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon that the foundation holds and invests are restricted to the activities of the County by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the County, the foundation is considered a component unit of the County and is discretely presented in the County's financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity- (Continued)

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship, if any, with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in two categories.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity - (Continued)

Property Tax Receivable - (Continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013, assessed property valuations; is for the tax accrual period July 1, 2014, through June 30, 2015; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. These assessments receivable represent assessments which are payable but not yet due.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid - The prepaid represents employee health insurance premiums for next fiscal year.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, and Secondary Roads Funds.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity - (Continued)

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end and drainage assessments receivable.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables and drainage assessments receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments at June 30, 2015, include drainage district warrants with a carrying amount of \$24,285. Market value for these warrants is not readily available.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 122,685
	Special Revenue: Rural Services	<u>1,353,722</u>
		<u>\$1,476,407</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 13,606
Special Revenue:		
Rural Services	Services	343
Secondary Roads		34
		<u>377</u>
Total for governmental funds		<u>\$ 13,983</u>
Agency:		
County Assessor	Collections	\$ 375,700
Schools		8,151,047
Community Colleges		571,205
Corporations		2,190,904
Townships		242,399
Auto License and Use Tax		305,986
Agricultural Extension		121,175
All other		<u>304,449</u>
Total for agency funds		<u>\$12,262,865</u>

5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Drainage Warrants</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance, beginning of year	\$ 87,000	\$ 182,962	\$ 628,214	\$ 231,025	\$ 1,129,201
Increases	-	-	62,807	65,064	127,871
Decreases	<u>(43,000)</u>	<u>(4,970)</u>	<u>(433,085)</u>	<u>(11,491)</u>	<u>(492,546)</u>
Balance, end of year	<u>\$ 44,000</u>	<u>\$ 177,992</u>	<u>\$ 257,936</u>	<u>\$ 284,598</u>	<u>\$ 764,526</u>
Due within one year	<u>\$ 44,000</u>	<u>\$ 177,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,992</u>

Note Payable

A summary of the County's June 30, 2015, note payable is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4.10%	44,000	1,809	45,809
		<u>\$ 44,000</u>	<u>\$ 1,809</u>	<u>\$ 45,809</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. LONG-TERM LIABILITIES - (Continued)

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

6. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2015, 2014, and 2013, were \$343,274, \$341,690, and \$332,635, respectively, equal to the required contributions for each year.

U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for pension benefits on the governmental activities financial statements. The County's governmental activities financial statements do not report these amounts.

7. RISK MANAGEMENT

Sac County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. RISK MANAGEMENT - (Continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015, were \$146,961.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and, excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Group Services, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$2,000 for single coverage and \$4,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Group Services, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2015, was \$195,246.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. EMPLOYEE HEALTH INSURANCE PLAN - (Continued)

Amounts payable from the Employee Group Health Fund at June 30, 2015, total \$15,386, which is for incurred but not reported (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2015, the County has accumulated funds in excess of actual claims paid of \$133,699, which is reported as a net position of the Internal Service, Employee Group Health Fund.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 87 active members and no retired members in the plan. Retired participants must meet IPERS normal retirement age. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

The medical/prescription drug coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur.

The required contribution is based on projected pay-as-you-go financing. Retirees receiving benefits have required monthly contributions of:

<u>Plan</u>	<u>Single</u>	<u>Family</u>
#1	\$ 581.16	\$ 1,434.29
#2	\$ 532.43	\$ 1,301.27
#3	\$ 525.25	\$ 1,281.16
#4	\$ 481.96	\$ 1,204.51

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 59,288
Interest on net OPEB obligation	5,776
Adjustment to annual required contribution	<u>(11,491)</u>
Annual OPEB cost	53,573
Contributions made	<u>-</u>
Increase in net OPEB obligation	53,573
Net OPEB obligation beginning of year	<u>231,025</u>
Net OPEB obligation end of year	<u>\$ 284,598</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 47,873	0.00%	\$182,330
June 30, 2014	\$ 48,695	0.00%	\$231,025
June 30, 2015	\$ 53,573	0.00%	\$284,598

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$403,711, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$403,711. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,857,000 and the ratio of the UAAL to covered payroll was 10.47%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table. Annual retirement and termination probabilities were based on 80% for actives currently electing coverage beginning at age 55.

The UAAL is being amortized as a level dollar cost on a closed basis over 30 years. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method. The information presented is intended to approximate the funding progress of the plan.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

10. COMMITMENTS

The County entered into the following contracts prior to June 30, 2015, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-15</u>	<u>Remaining Commitment As of 6-30-15</u>
PCC Patching	\$ 193,968	\$ -	\$ 193,968
West Annex Roof	31,861	-	31,861
Mack Tandem Dump Truck	108,754	-	108,754
Mack Tandem Dump Truck Equipment	87,500	-	87,500
	<u>\$ 422,083</u>	<u>\$ -</u>	<u>\$ 422,083</u>

The balances remaining at June 30, 2015, will be paid as work on the projects progress.

11. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2015, \$68,310 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County has guaranteed closure and post-closure costs of the landfill per Chapter 567-113.14(6f) of the Iowa Administrative Code. The total costs have been estimated at approximately \$1,040,776 as of June 30, 2014. The Agency has begun to accumulate resources to fund these costs, and at June 30, 2014, assets of \$439,112 are restricted for this purpose.

12. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the cash basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2014, is summarized as follows:

Cash balance, beginning of year	\$ 33,254
Operating Receipts	906,570
Operating Disbursements	920,277
Non-Operating Receipts (Disbursements)	<u>(17,714)</u>
Cash balance, end of year	<u>\$ 1,833</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

13. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$430,000 is outstanding at June 30, 2015. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

14. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

15. OPERATING LEASE

The County has four leases. The Auditor's office leases a postage machine, and the Mental Health, County Attorney and Veteran's Affairs departments each lease a copy machine. Rental expense incurred for the leases was \$8,340 for the year ended June 30, 2015. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2016	8,340
2017	7,471
2018	<u>4,833</u>
Total minimum lease payments	<u>\$ 20,644</u>

16. DEFICIT FUND BALANCES

The Special Revenue Fund – Drainage Districts had a deficit net position of \$5,065 at June 30, 2015. The deficit balance was a result of payables as of June 30, 2015.

17. CONTINGENCIES

There is currently a lawsuit and threatened litigation against the County seeking damages for various reasons. The outcome and eventual liability of the County, if any, from these is not known at this time.

There is currently litigation against certain drainage districts, which are component units of the county, seeking damages for various reasons. The outcome and eventual liability of the drainage districts, if any, from these is not known at this time.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

18. SAC COUNTY FINANCIAL INFORMATION INCLUDED IN THE ROLLING HILLS COMMUNITY SERVICES REGION

Rolling Hills Community Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Buena Vista, Calhoun, Carroll, Cherokee, Crawford, Ida and Sac. The financial activity of Sac County's Special Revenue, Mental Health Fund is included in the Rolling Hills Community Services Region for the year end June 30, 2015 as follows:

Revenues:

Property and other county tax		\$ 452,392
Intergovernmental revenues:		
State tax credits	\$ 32,795	
Medicaid	<u>59,427</u>	92,222
Charges for service		<u>179</u>
Total revenues		<u>544,793</u>

Expenditures:

Services to persons with:		
Mental illness		479
General administration		
Direct administration	3,302	
Distribution to regional fiscal agent	<u>480,648</u>	<u>483,950</u>
Total expenditures		<u>484,429</u>
Excess of revenue over expenditures		60,364
Fund balance beginning of the year		<u>272,026</u>
Fund balance end of the year		<u>\$ 332,390</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAC COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

		Less Funds Not Required to be		<u>Budgeted Amounts</u>		Final to Net
	<u>Actual</u>	<u>Budgeted</u>	<u>Net</u>	<u>Original</u>	<u>Final</u>	<u>Variance</u>
Receipts:						
Property and other County tax	\$ 5,844,253	\$ -	\$ 5,844,253	\$ 5,952,966	\$ 5,952,966	\$ (108,713)
Interest and penalty on property tax	53,410	-	53,410	25,585	25,585	27,825
Intergovernmental	4,261,727	-	4,261,727	4,011,299	4,073,993	187,734
Licenses and permits	12,905	-	12,905	17,000	17,000	(4,095)
Charges for service	1,042,828	-	1,042,828	948,380	994,926	47,902
Use of money and property	60,995	-	60,995	68,741	71,653	(10,658)
Miscellaneous	740,714	559,435	181,279	29,950	52,412	128,867
Total receipts	<u>12,016,832</u>	<u>559,435</u>	<u>11,457,397</u>	<u>11,053,921</u>	<u>11,188,535</u>	<u>268,862</u>
Disbursements:						
Public safety and legal services	2,299,868	-	2,299,868	2,304,977	2,377,447	77,579
Physical health and social services	749,744	-	749,744	743,968	781,989	32,245
Mental health	617,879	-	617,879	645,364	645,364	27,485
County environment and education	843,192	-	843,192	831,824	876,824	33,632
Roads and transportation	4,519,189	-	4,519,189	4,849,800	4,849,800	330,611
Governmental services to residents	402,342	-	402,342	471,122	479,627	77,285
Administration	1,260,503	-	1,260,503	1,348,263	1,479,522	219,019
Debt service	46,567	-	46,567	55,000	55,000	8,433
Capital projects	498,845	182,160	316,685	1,092,000	1,092,000	775,315
Total disbursements	<u>11,238,129</u>	<u>182,160</u>	<u>11,055,969</u>	<u>12,342,318</u>	<u>12,637,573</u>	<u>1,581,604</u>
Excess (deficiency) of receipts over disbursements	778,703	377,275	401,428	(1,288,397)	(1,449,038)	1,850,466
Other financing sources, net	<u>(351,264)</u>	<u>(370,278)</u>	<u>19,014</u>	<u>110,000</u>	<u>110,000</u>	<u>(90,986)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	427,439	6,997	420,442	(1,178,397)	(1,339,038)	1,759,480
Balance beginning of year	<u>6,488,429</u>	<u>48,194</u>	<u>6,440,235</u>	<u>5,166,866</u>	<u>6,440,235</u>	<u>-</u>
Balance end of year	<u>\$ 6,915,868</u>	<u>\$ 55,191</u>	<u>\$ 6,860,677</u>	<u>\$ 3,988,469</u>	<u>\$ 5,101,197</u>	<u>\$ 1,759,480</u>

See accompanying independent auditor's report.

SAC COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 12,016,832	\$ (43,768)	\$ 11,973,064
Expenditures	<u>11,238,129</u>	<u>124,651</u>	<u>11,362,780</u>
Net	778,703	(168,419)	610,284
Other financing sources, net	(351,264)	-	(351,264)
Beginning fund balances	<u>6,488,429</u>	<u>914,345</u>	<u>7,402,774</u>
Ending fund balances	<u>\$ 6,915,868</u>	<u>\$ 745,926</u>	<u>\$ 7,661,794</u>

See accompanying independent auditor's report.

SAC COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund, and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$295,255. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, and for Emergency Management Services by the Sac County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

SAC COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	July 1, 2009	-	\$349,152	\$349,152	0.00%	\$3,516,000	9.93%
2011	July 1, 2009	-	\$403,392	\$403,392	0.00%	\$3,544,000	11.38%
2012	July 1, 2009	-	\$334,893	\$334,893	0.00%	\$3,676,000	9.11%
2013	July 1, 2012	-	\$430,321	\$430,321	0.00%	\$3,786,000	11.36%
2014	July 1, 2012	-	\$422,263	\$422,263	0.00%	\$3,861,000	10.94%
2015	July 1, 2012	-	\$403,711	\$403,711	0.00%	\$3,857,000	10.47%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

The above information was prepared using the entry age actuarial cost method. The purpose of this disclosure is to provide information that approximates the funding progress of the plan.

SUPPLEMENTARY INFORMATION

SAC COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

Schedule 1

Special Revenue

	<u>Sheriff</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Ambulance Reserve</u>	<u>Sheriff's Reserve</u>	<u>Jail Commissary</u>	<u>Crime Prevention</u>	<u>Resource Enhancement and Protection</u>	<u>Conservation Land Acquisition</u>	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>											
Cash and pooled investments	\$ 6,722	\$ 19,220	\$ 55,191	\$ 8,192	\$ 217	\$ 24,250	\$ 1,526	\$ 110,282	\$ 29,924	\$ 16,903	\$ 272,427
Receivables:											
Property tax:											
Delinquent	-	-	-	-	-	-	-	-	-	61	61
Succeeding year	-	-	-	-	-	-	-	-	-	49,895	49,895
Accounts	-	592	-	-	-	26	-	-	20	-	638
Accrued interest	1	5	-	-	-	-	-	42	-	-	48
Drainage assessments	-	-	169,597	-	-	-	-	-	-	-	169,597
Total assets	<u>\$ 6,723</u>	<u>\$ 19,817</u>	<u>\$ 224,788</u>	<u>\$ 8,192</u>	<u>\$ 217</u>	<u>\$ 24,276</u>	<u>\$ 1,526</u>	<u>\$ 110,324</u>	<u>\$ 29,944</u>	<u>\$ 66,859</u>	<u>\$ 492,666</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980	\$ -	\$ -	\$ -	\$ -	\$ 980
Interest payable	-	-	60,256	-	-	-	-	-	-	-	60,256
Total liabilities	<u>-</u>	<u>-</u>	<u>60,256</u>	<u>-</u>	<u>-</u>	<u>980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,236</u>
Deferred inflows of resources:											
Succeeding year property tax	-	-	-	-	-	-	-	-	-	49,895	49,895
Other	-	-	169,597	-	-	-	-	-	-	61	169,658
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>169,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,956</u>	<u>219,553</u>
Fund balances:											
Restricted for:											
Debt service	-	-	-	-	-	-	-	-	-	16,903	16,903
Other purposes	6,723	19,817	-	8,192	217	23,296	1,526	110,324	29,944	-	200,039
Unassigned	-	-	(5,065)	-	-	-	-	-	-	-	(5,065)
Total fund balances	<u>6,723</u>	<u>19,817</u>	<u>(5,065)</u>	<u>8,192</u>	<u>217</u>	<u>23,296</u>	<u>1,526</u>	<u>110,324</u>	<u>29,944</u>	<u>16,903</u>	<u>211,877</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,723</u>	<u>\$ 19,817</u>	<u>\$ 224,788</u>	<u>\$ 8,192</u>	<u>\$ 217</u>	<u>\$ 24,276</u>	<u>\$ 1,526</u>	<u>\$ 110,324</u>	<u>\$ 29,944</u>	<u>\$ 66,859</u>	<u>\$ 492,666</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Schedule 2

	Special Revenue										
	Sheriff	County Recorder's Records Management	Drainage Districts	Ambulance Reserve	Sheriff's Reserve	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Debt Service	Total
Revenues:											
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,507	\$ 24,507
Intergovernmental	-	-	-	-	-	-	-	12,872	-	1,775	14,647
Charges for services	-	2,248	-	500	-	8,573	-	-	20	-	11,341
Use of money and property	4	34	-	13	-	31	-	166	-	-	248
Miscellaneous	6,338	-	559,435	-	-	-	832	-	-	-	566,605
Total revenues	6,342	2,282	559,435	513	-	8,604	832	13,038	20	26,282	617,348
Expenditures:											
Operating:											
Public safety and legal services	221	-	-	638	-	4,622	-	-	-	-	5,481
County environment and education	-	-	-	-	-	-	-	14,834	-	-	14,834
Government services to residents	-	2,999	-	-	-	-	-	-	-	-	2,999
Non-program	-	-	166,536	-	-	-	-	-	-	-	166,536
Debt service	-	-	-	-	-	-	-	-	-	46,567	46,567
Total expenditures	221	2,999	166,536	638	-	4,622	-	14,834	-	46,567	236,417
Excess (deficiency) of revenues over expenditures	6,121	(717)	392,899	(125)	-	3,982	832	(1,796)	20	(20,285)	380,931
Other financing sources (uses):											
Drainage district warrants	-	-	(370,278)	-	-	-	-	-	-	-	(370,278)
Excess (deficiency) of revenues and other financing sources over expenditures	6,121	(717)	22,621	(125)	-	3,982	832	(1,796)	20	(20,285)	10,653
Fund balances beginning of year	602	20,534	(27,686)	8,317	217	19,314	694	112,120	29,924	37,188	201,224
Fund balances end of year	\$ 6,723	\$ 19,817	\$ (5,065)	\$ 8,192	\$ 217	\$ 23,296	\$ 1,526	\$ 110,324	\$ 29,944	\$ 16,903	\$ 211,877

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2015

Schedule 3

	County <u>Offices</u>	Agricultural <u>Extension</u>	County <u>Assessor</u>	<u>Schools</u>	Community <u>Colleges</u>	<u>Corporations</u>	<u>Townships</u>	Auto License and <u>Use Tax</u>	<u>Other</u>	<u>Total</u>
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 1,165	\$ 107,670	\$ 48,224	\$ 3,515	\$ 31,275	\$ 792	\$ 305,986	\$ 102,156	\$ 600,783
Other County officials	27,565	-	-	-	-	-	-	-	-	27,565
Receivables:										
Property tax:										
Delinquent	-	502	709	20,929	1,513	22,955	18	-	6	46,632
Succeeding year	-	119,508	267,615	8,081,894	566,177	2,136,674	241,589	-	2,218	11,415,675
Accounts	81	-	-	-	-	-	-	-	31,318	31,399
Special assessments	-	-	-	-	-	-	-	-	146,014	146,014
Total assets	<u>\$27,646</u>	<u>\$ 121,175</u>	<u>\$ 375,994</u>	<u>\$ 8,151,047</u>	<u>\$ 571,205</u>	<u>\$ 2,190,904</u>	<u>\$ 242,399</u>	<u>\$ 305,986</u>	<u>\$ 281,712</u>	<u>\$12,268,068</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,614	\$ 2,908
Salaries and benefits payable	-	-	9,718	-	-	-	-	-	2,295	12,013
Due to other governments	<u>27,646</u>	<u>121,175</u>	<u>365,982</u>	<u>8,151,047</u>	<u>571,205</u>	<u>2,190,904</u>	<u>242,399</u>	<u>305,986</u>	<u>276,803</u>	<u>12,253,147</u>
Total liabilities	<u>\$27,646</u>	<u>\$ 121,175</u>	<u>\$ 375,994</u>	<u>\$ 8,151,047</u>	<u>\$ 571,205</u>	<u>\$ 2,190,904</u>	<u>\$ 242,399</u>	<u>\$ 305,986</u>	<u>\$ 281,712</u>	<u>\$12,268,068</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF CHANGES FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2015

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 25,566	\$ 199,923	\$ 369,583	\$ 8,355,018	\$ 616,865	\$ 2,161,811	\$ 240,150	\$ 294,875	\$ 267,224	\$ 12,531,015
Additions:										
Property and other county tax	-	197,907	279,531	8,228,288	595,846	2,113,452	237,012	-	2,194	11,654,230
E911 surcharge	-	-	-	-	-	-	-	-	242,152	242,152
State tax credits	-	14,346	20,263	594,838	43,191	257,723	13,676	-	159	944,196
Office fees and collections	215,651	-	307	-	-	-	-	-	57,309	273,267
Electronic transaction fee	-	-	-	-	-	-	-	-	2,046	2,046
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,812,183	-	3,812,183
Assessments	-	-	-	-	-	-	-	-	28,058	28,058
Trusts	88,989	-	-	-	-	-	-	-	-	88,989
Miscellaneous	362	-	-	-	-	-	-	-	113,403	113,765
Total additions	305,002	212,253	300,101	8,823,126	639,037	2,371,175	250,688	3,812,183	445,321	17,158,886
Deductions:										
Agency remittances:										
To other governments	213,933	291,001	293,690	9,027,097	684,697	2,342,082	248,439	3,801,072	430,833	17,332,844
Trusts paid out	88,989	-	-	-	-	-	-	-	-	88,989
Total deductions	302,922	291,001	293,690	9,027,097	684,697	2,342,082	248,439	3,801,072	430,833	17,421,833
Balances end of year	\$ 27,646	\$ 121,175	\$ 375,994	\$ 8,151,047	\$ 571,205	\$ 2,190,904	\$ 242,399	\$ 305,986	\$ 281,712	\$ 12,268,068

SAC COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 5

	Modified Accrual Basis									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:										
Property and other County tax	\$ 5,846,129	\$ 5,489,522	\$ 5,283,118	\$ 5,141,041	\$ 4,618,054	\$ 4,495,166	\$ 4,268,201	\$ 4,200,821	\$ 4,087,214	\$ 3,614,244
Interest and penalty on property tax	53,410	28,995	25,585	29,044	35,277	29,153	29,695	27,535	31,820	27,760
Intergovernmental	4,260,287	3,920,423	7,034,609	4,694,663	4,065,403	4,287,007	4,231,427	3,937,003	3,923,258	4,167,709
Licenses and permits	12,905	16,245	14,075	18,145	19,905	51,970	25,119	26,815	25,948	23,325
Charges for service	1,019,264	1,032,776	951,766	934,466	983,524	1,165,544	1,278,286	930,077	977,521	854,221
Use of money and property	57,981	38,531	40,244	52,045	64,047	49,239	90,125	168,356	199,948	161,936
Miscellaneous	723,088	248,472	251,972	536,493	151,383	99,117	527,605	590,544	52,848	129,172
Total	<u>\$11,973,064</u>	<u>\$10,774,964</u>	<u>\$13,601,369</u>	<u>\$11,405,897</u>	<u>\$ 9,937,593</u>	<u>\$10,177,196</u>	<u>\$10,450,458</u>	<u>\$ 9,881,151</u>	<u>\$ 9,298,557</u>	<u>\$ 8,978,367</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 2,315,173	\$ 2,192,143	\$ 2,118,245	\$ 2,220,839	\$ 2,147,228	\$ 1,780,493	\$ 1,858,646	\$ 1,568,632	\$ 1,533,533	\$ 1,385,775
Physical health and social services	780,119	702,392	599,083	569,952	579,266	710,388	568,608	540,456	525,696	492,304
Mental health	610,864	387,112	858,129	1,878,005	1,680,804	1,426,118	1,520,812	1,450,466	1,366,243	1,429,582
County environment and education	816,393	767,181	731,482	687,813	783,362	1,064,325	814,923	730,028	674,558	664,232
Roads and transportation	4,591,826	4,146,556	4,447,246	3,659,743	4,261,445	3,483,601	3,167,084	3,169,621	3,082,219	3,070,354
Governmental services to residents	406,806	487,022	383,726	401,256	364,384	359,868	331,455	303,253	321,464	300,480
Administration	1,311,812	1,270,662	1,211,027	1,151,882	1,032,175	1,047,649	968,830	1,054,164	892,933	941,489
Non-program	166,536	445,394	101,151	117,557	241,071	88,136	293,508	366,163	503,890	150,583
Debt service	46,567	47,288	47,970	48,634	50,250	50,849	51,424	51,989	54,780	-
Capital projects	316,684	408,629	305,985	245,287	346,925	284,578	770,700	166,339	261,754	993,652
Total	<u>\$11,362,780</u>	<u>\$10,854,379</u>	<u>\$10,804,044</u>	<u>\$10,980,968</u>	<u>\$11,486,910</u>	<u>\$10,296,005</u>	<u>\$10,345,990</u>	<u>\$ 9,401,111</u>	<u>\$ 9,217,070</u>	<u>\$ 9,428,451</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

P.O. BOX 398
1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
www.hpcocpa.Com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Sac County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 22, 2016. The report on the governmental activities was adverse because capital assets and the related depreciation expense have not been recorded, and pension liability, deferred outflows of resources, or deferred inflows of resources related to pensions have not been recorded.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sac County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sac County's internal control. Accordingly, we do not express an opinion on the effectiveness of Sac County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Sac County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-(A-E)-15 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sac County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of non-compliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items I-F-15. We noted certain instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sac County's Responses to the Findings

Sac County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Sac County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunnegelman, Putzyier & Co., PLC

March 22, 2016

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-15 Segregation of Duties - A concentration of closely related duties and responsibilities, such as the recording and processing of cash receipts and disbursements, voiding transactions, reconciliation of bank accounts, preparing journal entries for posting, analyzing financial information, and reporting financial information, exists in most county offices. This concentration with a limited number of employees makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records.

Recommendation - Each department head should review the operating procedures of their office to obtain the best segregation of duties as possible under the circumstances. The department head should utilize current employees to provide internal checks through review of financial transactions, voids, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Board of Supervisors and the Department Heads continually strive to segregate the duties of the offices to the extent that limited staff will allow.

Conclusion – Response accepted.

- I-B-15 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – Officers and staff take advantage of online information services and conferences sponsored by the Iowa State Association of Counties to obtain additional and updated information to help in the preparation of reliable GAAP financial statements.

Conclusion – Response accepted.

- I-C-15 Accumulated Compensatory Time – One roadside management employee had accumulated compensatory time in excess of established policies as of June 30, 2015. This amount results in a liability which may become a substantial payment at a future date.

Recommendation – To avoid possible substantial payment in the future, the Board should eliminate some of this accumulation through payments or paid time off.

Response – A closer review of the compensatory time reports will be conducted at the end of each month for all departments.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements: – (Continued)

- I-D-15 Incomplete Invoices and Inaccurate Payments – Disbursements should be only for goods and services authorized and received. During the year, two departments presented invoices to the Auditor's office for payment that were incomplete. After payment, it was determined that one of the invoices was inaccurate. Proper verification of invoices was not done by county personnel, and the county paid for goods that were not authorized or received.

Recommendation – Anyone submitting claims for payment should include appropriate documents to support the amount claimed. The Auditor's office should verify that each claim has appropriate support, including invoices from vendors, before it is paid. The invoice should be scrutinized to verify completeness.

Response – All department heads will be advised of the need for complete and accurate documentation to support claims.

Conclusion – Response accepted.

- I-E-15 County Disbursements – Disbursements should be only for goods and services authorized and received. At fiscal year end, the Weed Commissioner submitted a claim for goods that were not yet received. The claim was processed and paid before fiscal year end. As a result, this transaction was not recorded in the correct year.

Recommendation – The County should not write checks until the goods or services have been received.

Response – All department heads have been made aware that goods and services must be delivered before payment can be made except in certain instances.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

- I-F-15 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that capital assets be recorded and depreciated in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response – Limited staff and funds restrict the development of an inventory of fixed assets.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Disbursements in certain departments exceeded appropriations prior to the budget amendment and at year-end.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The Board of Supervisors and the Auditor will periodically review budgets to determine if and when an amendment is necessary.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting: - (Continued)

- II-B-15 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-15 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-15 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brian Erritt, Sheriff deputy, Spouse	Cleaning	\$ 2,800

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year.

Recommendation – We recommend the Board determine whether these services were awarded through competitive bidding or have the attorney review the transactions to determine if they are proper.

Response – This particular arrangement has been discontinued.

Conclusion – Response accepted.

- II-E-15 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-15 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-15 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2015, for the County Extension Office did not exceed the amount budgeted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting: - (Continued)

II-J-14 Joint E911 Service Board Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted for the Joint E911 Service Board.

Recommendation – The E911 Service Coordinator should ensure that budgets are amended before disbursements are allowed to exceed the budget.

Response – The E911 Board and director have been advised to review their budget and amend as needed.

Conclusion – Response accepted.